

Managing the Payroll

With Thought, Companies
Can Save Money and Avoid
Compliance Penalties

By Curtis Rist

As corporate decision makers look for ways their organizations can save money and time, payroll is one of the areas where the creative use of technology can reap the largest benefits. A focused effort here can help an organization improve its operations overall, better meet regulatory requirements and produce the best payroll for the lowest possible cost. This can also guarantee goodwill between employer and employee, and goodwill between the employer and the federal government.



“Other than the medical community, we in the payroll industry need to have the highest accuracy rate of any profession,” says Dan Maddux, executive director of the American Payroll Association. “If the payroll is not 100% correct, the result is chaos.”

For companies, maintaining the status quo with regard to payroll is a risky practice, particularly as costs of traditional paycheck systems rise and as regulatory pressures — such as those resulting from the Sarbanes-Oxley Act — increase. Employers who are willing to analyze their options carefully can reap a great return on their investment. To build awareness about the payroll process and its effect on the bottom line for business, the APA is celebrating National Payroll Week from Sept. 3-7.

Demystifying the Payroll

There are three particular areas where new technology is having the greatest impact on payroll, says Maddux: electronic payroll (e-payroll) practices; Web-hosted software that allows employees to access vital business information remotely; and the ability to reduce costs by seamlessly outsourcing business functions to anywhere in the world.

Electronic Payroll

Advances in technology and consumer acceptance have made e-payroll easier than ever, and have revolutionized the way companies pay their employees, says Maddux. Corporations across the nation have shifted to e-payroll functions such as direct deposit, payroll debit cards and electronic pay stubs. A combination of all three allows a com-

pany to go paperless in its payroll, which saves a significant amount of time and money overall. “Employees benefit from electronic payroll because they can save money by eliminating check-cashing fees and get greater access to their financial information and money,” says Maddux. “Employers also reap benefits, since elec-

New Software

tronic payroll delivery is significantly less expensive than traditional paper checks.”

Software as a Service, or SaaS, is a relatively new software application delivery model that allows approved individuals to instantly access vital business information over the Internet. SaaS providers offer hosted, online software application services that allow employees to work remotely from anywhere there is an Internet connection. IT services that can be provided as SaaS include server installation and management, software upgrades, log-in management, database administration (DBA) support, hardware maintenance, backup and recovery management, capacity planning, inventory management, application performance tuning, and server monitoring and management. These convenient features are available through Web self-service for the general employee population and managers.

Going Global

Global outsourcing is another trend expected to grow stronger in 2008, says Maddux. Many companies have opted to outsource partial or whole business functions to vendors located in other countries. Offshoring comes with inherent risks, the largest being the potential compromise of private company, employee and client information such as social security numbers, addresses and payroll-related data. In the APA’s 2006 “Getting Paid In America” online survey, 85% of respondents said they are not confident

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their personal information would be kept private if their paychecks were processed overseas, and 77% said they would not be happy if their paychecks were processed overseas. “As these statistics show, American companies should be careful that they do not lose the trust of their employees when it comes to offshoring payroll,” says

Maddux. But he adds, “Companies that make data security and effective employee communications priorities can realize success with global outsourcing.”

The Paycard Pioneer

For nearly four decades, Comdata has been at the forefront of payment innovations. “We revolutionized the concept of electronic payments beginning with

direct deposit administration is overwhelming.” The paycard streamlines the administration process and allows employees without bank accounts to access their earnings without resorting to expensive check-cashing facilities. “It’s a win-win situation for everyone,” says Ford.

Implementing a total electronic pay program doesn’t have to be difficult. “An

organization with a true commitment to eliminating paper can work with an experienced partner who can lead the way with marketing tools and employee training to make the transition to electronic pay easier, and provide more of a ‘what’s in it for me’ prospect for the employee,” says Ford. “With the paycard, everybody wins.” ■

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Dan Maddux, Executive Director, American Payroll Association

trucking companies, and in the process launched the Comdata Card, a payment solution that helped drive an industry,” says Carole Ford, vice president of payroll services at Comdata Corp. Within the last five years, the company has moved its paycard to large retailers, movie theater chains and restaurants, all of which have a large base of employees who do not necessarily have traditional bank accounts.

Today, Comdata is an industry leader with a suite of flexible financial solutions and services that improve efficiency and profitability, and now touch financial transactions of all kinds. “Our integrated financial solutions are changing the way companies manage data, pay their employees, process merchant transactions and manage spending on key business purchases from travel to fuel,” she says. A pioneer in the concept of stored value, Comdata has fundamentally changed the retail industry through gift card solutions.

The payroll industry has been fundamentally changed by the emergence of the payroll card, which eliminates the paper paycheck and the costs and inefficiencies associated with it. One recent study shows, for example, that companies can reduce their payroll costs by up to 40% when they switch from printed checks to electronic pay.

“Some of the industries that benefit most from paycards include retail, hospitality, restaurant, temporary staffing and health care,” says Ford. “These industries experience some of the highest turnover among their hourly employee base, which means that

National Payroll Week September 3-7, 2007

National Payroll Week celebrates the hard work of America’s 156 million wage earners and the payroll professionals who pay them. Together, through the payroll withholding system, they contribute, collect, report, and deposit approximately \$1.6 trillion, or 64.3%, of the annual revenue of the U.S. Treasury.

■ More information and resources are available at:
www.nationalpayrollweek.com

WEB DIRECTORY

American Payroll Association
www.americanpayroll.org

Comdata
www.comdata.com

Employers Fined **\$13 Billion** for Noncompliance

The IRS assessed employers \$13 billion dollars in penalties and interest for noncompliance with payroll tax laws last year.* Many of those fines could have been prevented if the payroll departments in those companies had done their jobs correctly. Is your payroll department keeping your company safe?

Payroll is one of the most heavily regulated areas of business. Not just anybody can lead today's dynamic payroll team. This complex task demands the knowledge, skills, and training of a Certified Payroll Professional (CPP). Just as the accounting profession has its CPA, the gold standard for professional competency in the payroll field is the CPP. By making sure your company's payroll department is staffed by Certified Payroll Professionals, you are making an investment that will return a high dividend.

STAY FRIENDLY WITH THE IRS

As savvy CEOs and CFOs know, the payroll department is the company's command center for compliance with mandates from the IRS, Department of Labor, Social Security Administration, Office of Child Support Enforcement, and the Department of Homeland Security, in addition to being the department that cuts the paychecks. The payroll department keeps your company in compliance with federal and state laws governing minimum wage and overtime, the Sarbanes-Oxley Act, and state child support withholding requirements. It calculates, withholds, and deposits payroll taxes

for federal, state, and local jurisdictions – \$1.6 trillion yearly on the federal level alone.

These tasks must all be executed accurately, on time, and in the proper manner. If any function is performed incorrectly—if the tax deposits are late, if child support is not deducted properly, if new hires are not reported on time—your company will be in noncompliance. Fines for such violations can add up quickly, costing a company thousands, and even millions, of dollars.

As a strategic partner in your company's management structure, your payroll department is charged with maintaining compliance, leveraging efficiencies, reducing costs, and contributing to your profitability. Internally, payroll professionals regularly team with many of your company's departments, including human resources, benefits, finance, accounting, IT, and legal.

CPPS PROVIDE HIGH ROI
Established by the American Payroll Association in 1985, the

Sarbanes-Oxley has made payroll more important than ever.

Is your payroll department keeping you safe?

Certified Payroll Professional designation is awarded to individuals who have passed a rigorous exam, covering the full range of payroll knowledge—from administration and



compliance, to systems and accounting. Moreover, CPPs maintain their certification through continuing education, so their knowledge is regularly updated. This is a must in a world of constantly shifting regulations, procedures, and technology.

Many top companies employ Certified Payroll Professionals, and some of the larger and more successful among them have programs that recognize and reward payroll certification. Companies that employ CPPs include some of the country's best-run organizations, such as Starbucks, ADP, Adobe, Johnson & Johnson, and Toyota, just to name a few. As CPPs, these individuals bring an extraordinary skill set to their payroll departments. Through proven performance and leadership, they merit the career advancement, respect, and rewards they have garnered. By keeping your company safe and in compliance with the Internal

Revenue Code, Fair Labor Standards Act, Sarbanes-Oxley Act, and more, your team of Certified Payroll Professionals will quickly provide a solid return on your investment.

EYE ON THE FUTURE

Is your company planning to expand its global presence? A CPP can determine the payroll and employment tax consequences. Would you like to automate and re-engineer your workforce management system to increase efficiencies while eliminating regulatory compliance risk? A CPP can help you make the right decisions. Do you want to stay in compliance with the Sarbanes-Oxley Act? CPPs know how to do their part.

Payroll is far too important to a company's bottom line to be left to underqualified individuals. Protect your organization's compliance. When you need a payroll professional, insist on a Certified Payroll Professional (CPP).

*Source: IRS Data Book, FY 2006, Publication 55b, Table 17. Chief Financial Officer, Revenue Financial Management OS:CFO:R

Go to www.americanpayroll.org to find out more.

